

Message Text

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44

ACTION EB-07

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC PRIORITY 2726

INFO AMEMBASSY GEORGETOWN

AMEMBASSY PARAMARIBO

AMEMBASSY PORT

AMEMBASSY SANTO DOMINGO

UNCLAS KINGSTON 4390

E.O. 11652: N/A

TAGS: EMIN, JM

SUBJECT: SUMMARY OF ALCOA/GOJ AGREEMENT

1. FOLLOWING FACT SHEET WAS DISTRIBUTED AT ALCOA/GOJ
SIGNING CEREMONY HELD OCTOBER 6. FACT SHEET PROVIDES USEFUL
SUMMARY OF TERMS OF NEW BAUXITE/ALUMINA AGREEMENT.

2. BEGIN TEXT:

A. MINING ASSETS AND LAND

1. THE GOVERNMENT HAS REACQUIRED ALL OF ALCOA'S MINING
LAND. THE GOVERNMENT HAS ALSO ACQUIRED 51 PERCENT
OF ALCOA'S JAMAICA'S MINING OPERATIONS.

2. THIS HAS BEEN CONVERTED INTO A SIX PERCENT SHARE-
HOLDING IN ALCOA'S TOTAL JAMAICAN MINING AND RE-
FINING OPERATIONS.

3. CALCULATIONS ARE BASED ON THE BOOK VALUE
OF THE COMPANY'S ASSETS. THIS MEANS THAT
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THE GOVERNMENT IS PURCHASING SOME \$18

MILLION OF ASSETS FOR APPROXIMATELY \$8 MILLION.

B. EXPANSION

1. A MOST IMPORTANT ASPECT OF THE AGREEMENT

IS THAT THE GOVERNMENT HAS THE OPTION OF

EXPANDING THE COMPANY'S 550,000 - TON

ALUMINA PLANT, BY ITSELF OR IN PARTNERSHIP

WITH ALCOA.

2. THE PLANT MAY ALSO BE EXPANDED JOINTLY BY

BOTH GOVERNMENT AND ALCOA.

3. THE PLANT MAY BE EXPANDED TO 1.65 MILLION

TONS AND THE EXPANSION OPTION MAKES IT

POSSIBLE FOR GOVERNMENT TO EVENTUALLY OWN

A MAJORITY SHAREHOLDING IN THE EXPANDED OPERATION.

C. TERMS OF PAYMENT

1A) FOR ITS SIX PERCENT SHAREHOLDING OF OPER-

ATING FACILITIES, AND LAND, (THE

REFINERY, SHIPPING PORT, EQUIPMENT,

BUILDING AND NECESSARY LANDS TO SUPPORT

PRODUCTION) THE GOVERNMENT WILL PAY 10

PERCENT DOWN AND THE REMAINDER IN NINE

EQUAL INSTALLMENTS OVER NINE YEARS AT

8 1/2 PERCENT INTEREST.

2B) FOR NON-OPERATING LANDS GOVERNMENT WILL

PAY 10 PERCENT DOWN AND THE REMAINDER IN

NINE EQUAL INSTALLMENTS OVER NINE YEARS

AT 7 PERCENT INTEREST.

3C) FOR MINING LANDS - THE GOVERNMENT WILL

ISSUE PROMISSORY NOTES FOR INDIVIDUAL

PARCELS TO BE REDEEMED AFTER COMPLETION

OF MINING AND RESTORATION. NOTES WILL BE

FOR AMOUNTS REPRESENTING THE APPRAISED

RESIDUAL VALUE AND WILL NOT EXCEED THE

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ORIGINAL COST OF THE LAND.

4D) THE GOVERNMENT WILL PAY ALTOGETHER,

APPROXIMATELY \$2.7 MILLION FOR SOME 7000

ACRES OF MINING AND NON-OPERATING LANDS.

D. DUATION

JAMALCO WILL ENJOY A 40-YEAR MINING
LEASE FROM JANUARY 1, 1976.

E. PRODUCTION LEVY

THE COMPANY WILL PAY A PRODUCTION LEVY
OF 7 1/2 PERCENT OF THE AVERAGE REALISED
PRICE OF ALUMINIUM INGOT.

F. NEW COMPANY

A NEW COMPANY, JAMALCO HAS BEEN FORMED.
IT IS JOINTLY OWNED BY JAMAICA MINING
LIMITED (JMB) A GOVERNMENT AGENCY AND
ALCOA MINERALS OF JAMAICA. THE 7-MAN
JAMALCO BOARD WILL HAVE TWO JAMAICANS AND
FIVE ALCOA MEMBERS.

G. ICSID DISPUTE

ALCOA HAS AGREED TO WITHDRAW PROCEEDINGS
FILED AGAINST JAMAICA AT THE INTERNATIONAL
CENTRE FOR THE SETTLEMENT OF INDUSTRIAL
DISPUTES WHEN THE GOVERNMENT BAUXITE LEVY
WAS IMPOSED IN 1974. END TEXT.

DORRANCE

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